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STATEMENT OF
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Committee on Financial Services
U.S. House of Representatives

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Thank you Madam Chairwoman, Ranking Member Biggert and members of the subcommittee. My name is Bob Porter and I am the executive director of ProtectingAmerica.org. I appreciate the opportunity to appear before you today.

ProtectingAmerica.Org is a non-profit organization committed to finding better ways to prepare and protect American families from the devastation caused by natural catastrophes. Our organization was formed in the summer of 2005, right before the onslaught of hurricanes Katrina, Rita and Wilma, and is chaired by James Lee Witt, the former director of the FEMA, and Admiral James Loy, the former deputy secretary of Homeland Security and former commandant of the US Coast Guard.

ProtectingAmerica.Org's more-than 200 members include the American Red Cross and other first responders, emergency management officials, insurers, municipalities, small businesses, Fortune 100 companies along with thousands of private citizens.

ProtectingAmerica.org was formed to raise the national awareness about the important responsibility we all have to prepare and protect ourselves from the ravages of massive natural disasters. We support the creation of a comprehensive, national catastrophe management solution that protects homes and property at a lower cost, improves preparedness, and reduces the financial burden on consumers and taxpayers – all in an effort to speed recovery, protect property, save money and save lives.

The simple fact is that catastrophe can and does occur virtually anywhere in this country. The unfortunate reality is that tens of thousands of our fellow citizens are not able to pick up their lives where they left off before these catastrophes occur.

Let me give you some quick facts:

- 57% of Americans live in areas prone to catastrophes like major hurricanes, earthquakes or other natural disasters. While opponents of a comprehensive program to assure the safety of these American families glibly say that “people shouldn't move to those areas,” the fact is that better than half of the American

public already lives in catastrophe-prone areas like New York, Miami, Galveston, Los Angeles and St. Louis.

Would those critics propose that we evacuate some of America's greatest metropolitan areas?

- Seven of the 10 most costly hurricanes in US history have occurred in the last 5 years.

Every national and international forecasting agency has predicted that the worst of these storms is yet to come. Even Max Mayfield, the recently retired director of the National Hurricane Center has said that he wished that Katrina was the worst storm he would ever see.

- Last week, the London-based forecasting agency "Tropical Storm Risk," issued the coming hurricane season's first prediction – that the new hurricane season is likely to bring 17 tropical storms, of which nine will strengthen into hurricanes, with four of those expected to become more destructive, "intense" hurricanes.

They said that current and projected climate signals indicate that U.S. hurricane activity this year will be 75 percent above the 1950-2006 average.

This prediction is in line with the long term forecasts of the National Hurricane Center which has said that we are in a cycle of increased hurricane activity that will last for a decade or more and include hurricanes of substantially increased frequency and ferocity.

Notwithstanding the well-documented problems with the response to Katrina, when catastrophe strikes, Americans have historically done a remarkable job responding. All Americans owe our first responders an enormous debt of gratitude and thanks.

While little can be done to completely eliminate the actual catastrophe, we must break the cycle of build, destroy and build again in the same way and in the same place.

Programs to improve preparedness, increase public education, enhance prevention and mitigation efforts, and augment support for first responders are the keys to improving our national capability to prepare and protect those who live in harm's way.

- Public education programs will help homeowners make plans and be prepared in advance of an emergency.
- Mitigation programs such as strong and enforceable building codes and retrofitting programs will improve the integrity of catastrophe-prone structures so that damage is minimized when catastrophe strikes.
- An increase in first responder funding will help finance the critical programs that too often get shortchanged in the give-and-take of local budgeting decisions.

ProtectingAmerica.Org believes that we should reduce the enormous taxpayer subsidy of recovery efforts that exists under our response scheme. Florida Insurance Commissioner Kevin McCarty has estimated that every America family paid \$881 in federal tax dollars responding to the storms of 2004/2005! Despite what some will say, taxpayers from Maine to Montana are already paying for the nation's natural catastrophe response. We believe that the time has come to break that cycle once and for all.

ProtectingAmerica.Org supports the establishment of a stronger public-private partnership as part of a comprehensive, integrated solution at the local, state and national levels.

The solution would include privately financed state catastrophe funds, established by the legislatures in catastrophe-prone states, to provide more protection at lower cost to consumers. These state level CAT funds would serve as a backstop to the private insurance and re-insurance markets and would generate investment earnings that, in

addition to helping to pay claims, would be used for mitigation, prevention, preparation and first responder programs.

We also support the creation of a national catastrophe fund that would serve as a backstop to participating state funds in the event of a mega-catastrophe, such as Katrina or the Northridge earthquake.

These state catastrophe funds would be financed through mandatory contributions by insurance companies in each of those states in an amount that reflects the risk of the policies that they write in each state. Actuarially sound premiums – not tax dollars – would support those funds.

Qualified state funds would be required to set aside a minimum of \$10 million up to a maximum of 35% of investment income for first responder, for prevention and for mitigation programs.

Qualified state funds would be able to purchase re-insurance from the national backstop program. Rates for this coverage would again be actuarially based and would only be available to qualified state programs that have established the prevention and mitigation funding.

How would this work?

In the event of a major catastrophe, private insurers would be required to meet all of their obligations to their policyholders. Should catastrophic losses exceed those obligations, the state CAT fund would kick in. In the event of an extraordinary catastrophe, the national backstop program would provide benefits to the state and help pay remaining claims.

Because this is an opt-in, state-by-state program based entirely on each state's risk, the likelihood of a taxpayer subsidy is virtually eliminated. This approach requires pre-event

funding and relies on private dollars from insurance companies in those states that are most exposed to catastrophe.

Madam Chairman, all the elements I've mentioned are contained in legislation currently before the Congress. These bills have strong bi-partisan support and the support of members from across the nation.

That support, and your hearing today, is indicative of a renewed concern in Congress that protection and preparation for massive natural catastrophe must be a national priority.

Our organization commends you and Chairman Frank for making this national priority a priority of this committee.

The hurricane seasons of this new century have been devastating wake up calls for American families. ProtectingAmerica.org hopes to raise the national awareness and advocate for a national solution. This committee is the right venue to craft that solution and offer America a better, more comprehensive national catastrophe management program.

Thank you, Madam Chairman, for holding this hearing today. I would be happy to answer any questions that you may have.